

CS150-4

Chain Store Age **EXECUTIVE**

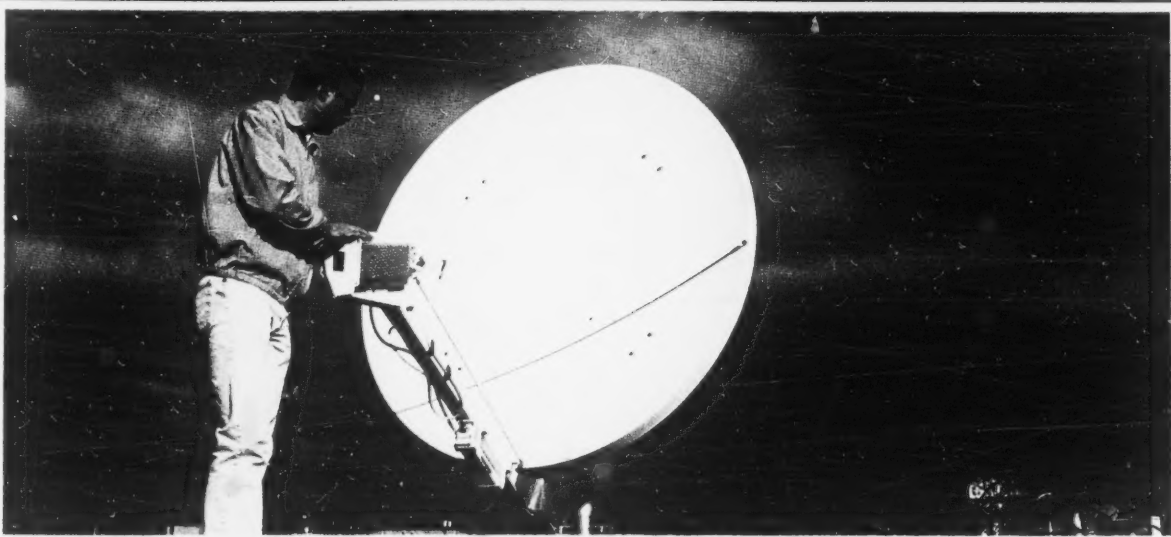
with Shopping Center
The newsmagazine for retail executives

James Mansour
Director of design
and research
The United

ON THE FAST TRACK

*People to watch
in the '90s*

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Vyzis is adding a 250,000-sq.-ft. strip center to Lakewood Mall in Tacoma scheduled to open this fall.

BUILDING DESPITE THE OBSTACLES

ANTI-GROWTH SENTIMENT, LOCAL RESTRICTIONS SLOW RETAIL DEVELOPMENT

A region with booming economy and a growing, increasingly affluent population searching for a better lifestyle should be mecca for a shopping center developer. That is, if the region isn't the Pacific Northwest.

The anti-growth sentiment, particularly in Seattle, has meant decade-long delays in getting some retail projects built. Citizens simply do not want the landscape, a major attraction of the area, altered.

Many are refugees from overbuilt and overpriced regions in California. Soaring home prices in the Los Angeles and San Francisco areas have meant that home owners can sell for a handsome profit, then move to a larger property farther north.

"We're the hub of the Pacific Rim trade component, we have a strong port facility and still have a lot of manufacturing here. We have a strong fishing industry. Fish caught in Alaska are processed in the Pacific Northwest," says Sherwood Korssjoen, president of Seattle-based Sherwood Group.

Tourism, too, is on the rise. Seattle will host the Goodwill Games this summer, prompting an even greater increase in visitors.

Seattle, in particular, has moved

far beyond being dominated by Boeing and lumbering. "If you took Boeing out of the economy, we'd still be as good or better than the rest of the country," Korssjoen says.

Boeing, however, still is a mainstay of the local economy. With a 10-year backlog of orders and a 25-year cycle of airplane replacement, it should remain so into the next century, says Richard Eichler, president of Seattle-based Winmar.

Not coincidentally, technology firms such as Microsoft, unable to settle in Silicon Valley because of that area's high costs, are making Seattle and environs their home base, and attracting former Californians to the area. Towns such as Bellevue, that began as bedroom communities to Seattle, are now becoming urban ar-

eas in their own right.

Retirement communities: But not everyone is relocating because of work. "We're seeing a good many retirement homes being built in the region. The climate is quite good," explains Lawrence A. Rank, executive vp-shopping centers for Pan Pacific Development, Vancouver, B.C.

The firm is expanding Aurora Village center by nearly 350,000 sq. ft. The 700,000-sq.-ft. complex will reopen in summer 1992.

With all of this growth, retail should follow. But local governments are making shopping center construction difficult. It took 12 years for Winmar's Redmond Town Center mixed-use complex to get to groundbreaking (see following story).

Some of the delays are due to building restrictions, says Duco Haytema, leasing representative for Paramus, N.J.-based Roebbling Management. The firm renovated and expanded its Everett (Wash.) Mall in 1988.

"New restrictions on building downtown are putting more pressure on suburban areas. Building will continue to be a struggle," Haytema says.

"Because of considerable competition, we're most interested in promotional centers across from regional

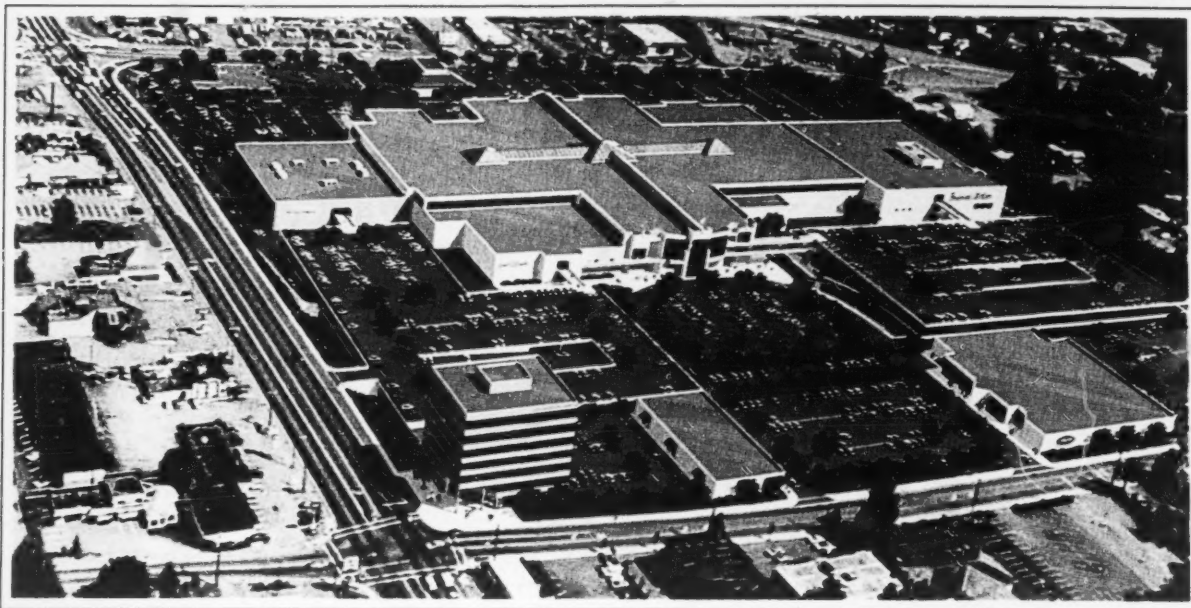
Washington

1989 retail sales: \$42,143,576,000
1989 population: 4,624,627
1994 population: 4,846,801
1989 median household income: \$28,609
1994 median household income: \$34,383

Source: Donnelley Marketing Information Services

SHOPPING CENTER AGE

PACIFIC NORTHWEST



Aurora Village center, Seattle, is expanding by nearly 350,000 sq. ft. The 700,000-sq.-ft. complex will reopen in summer 1992.

malls," notes Harold Hofer, principal at Newport Beach, Calif.-based BHI-Dover. The management firm has three centers in the Northwest, including the 78,000-sq.-ft. Vancouver (Wash.) Park Place.

"The biggest problem is lack of developable land," says Michael Hess, vp-marketing at First Western Development, Lynnwood, Wash.

Hess believes that, as a result, developers based in the area do have an advantage. With a proven track record in the region and relationships with planning board members established, he says that local builders can anticipate requirements better.

"Every community has formed an environmental impact group. A local may have an advantage in that we can attend the meetings to get the 'feel' of an area."

Anti-growth sentiment may not be all that is forestalling development. Retailers also are being cautious about expanding into the region. The last major entry was Target three years ago.

"A tenant has to make a commitment for 7-10 stores to justify entering a region," says Ben Viloski, vp-real estate at Johnstown, Pa.-based Cafaro. The firm recently opened Short Hills Mall in Puyallup, east of Tacoma.

"The explosiveness already has occurred, so there probably should be something of a lull now," Viloski says.

Others may be waiting for the in-

frastructure to catch up with local needs. Seattle is serviced by just two superhighways; Tacoma and Spokane by one. By far, the dominant road is I-5, which runs the length of the West Coast. Only two interstates run through all of Oregon.

Add to this that geographic boundaries make access almost impossible to some areas, says David Cree, vp-retail development at Bellevue, Wash.-based Vyzis.

"The vacancy rate for the Puget Sound area overall is between 5%-8½%. That is misleading, because you almost never have a vacant anchor. For small shops, vacancy is running anywhere from 9%-24%," says Richard Muhlebach, president of TRF Management, Bellevue, Wash.

Many developers are concentrating on the hot Bellevue market. Opening in the summer is TRF's Lowrey's Center, 100,000 sq. ft. anchored by a Lowrey's supermarket.

Los Angeles-based Hapsmith plans the SuperMall of the Great Northwest. The 1.4 million-sq.-ft. main mall will be joined by 400,000 sq. ft. of perimeter stores and service shops. Construction will begin late this year or early 1991, with opening scheduled for fall 1992.

"Retail is lacking once you leave Seattle," Cree says. "While pockets outside the city are booming, retail hasn't really caught up."

Vyzis is adding a 250,000-sq.-ft. strip center to Lakewood Mall in Tacoma for opening this fall. Vyzis already had added a 750,000-sq.-ft. enclosed mall to a 550,000-sq.-ft. strip center in September 1989.

Vyzis is continuing to build, Cree says, simply because "we had the foresight to put projects in place 11 years ago."

Bellevue, Wash.-based Flemming is building Chehalis (Wash.) Village Shopping Center, a 185,000-sq.-ft. value retail project about 60 miles southwest of Tacoma. The project will feature a hotel, restaurants and entertainment area.

Not all Washington development is taking place in the Seattle/Tacoma axis. Spokane, too, is seeing growth.

"Spokane is a good-sized market with a stable population over the last three years," Cree observes.

"Seattle is starting to get crowded. Spokane is taking some of the overdevelopment of Tacoma/Seattle. In addition, Boeing is locating a new divi-

Seattle Metropolitan Statistical Area

1989 retail sales: \$18,863,776,000

1989 population: 1,838,913

1994 population: 1,927,084

1989 median household income:

\$33,764

1994 median household income:

\$41,780

Source: Donnelley Marketing Information Services

SHOPPING CENTER AGE

PACIFIC NORTHWEST



Vancouver (Wash.) Park Place is one of three BHI-Dover centers in the Northwest.

sion in the town, which will cause pretty good growth," says Steven Bogden, vp-leasing at Salt Lake City-based Price Development.

The firm breaks ground on Spokane Galleria this summer for a

spring 1992 opening. The 650,000 sq. ft. center will feature five anchors in Phase 1, with three more anchors to be added at a later stage.

Also in Spokane, First Western is building Northpointe Plaza, with a

450,000-sq.-ft. first phase opening in November. Anchors include Target, Shopko, Safeway and T. J. Maxx.

Boise, Idaho-based White-Leasure opened the 400,000-sq.-ft. Blue Mountain Mall in Walla Walla last fall. The center is anchored by J. C. Penney, Shopko, Sears and a Fred Meyer apparel store. Plans call for a discount drug store, market and theater to join the complex as outparcels.

Though Washington may be in a bit of a lull right now, international events could produce another building binge in short order.

The Free Trade Agreement with Canada should encourage even more trade between the region and nearby British Columbia. Seattle is only about a three-hour drive from Vancouver, B.C. As restrictions are eased, Korssjoen believes, the two

PORTLAND: FOLLOWING AN ORGANIZED GROWTH PATTERN

Within Oregon, the focus of development has been around Portland. Like Seattle, the economy of the state's biggest city has diversified and strengthened in recent years. Like Seattle, developers in Portland also face stiff zoning and environmental regulation.

"Portland definitely is growing, with a number of Japanese firms moving into the market," says Duco Haytema, leasing representative for Paramus, N.J.-based Roebbling Management.

"The zoning rules by themselves create significant problems for commercial sites. The city has drawn the line on urban growth and will not allow sprawl. This creates tighter land opportunity," says Lawrence Rank, executive vp-shopping centers for Pan Pacific Development, Vancouver, B.C.

As in Seattle, careful controls may not be completely detrimental. "The history of Portland has been anti-growth to a point. But we're very organized when we do grow. The design review process may take longer, but it makes the project better," says Patrick Done, general manager of Pioneer Place.

Portland's newest downtown mixed-use project, Pioneer Place, was developed by Columbia, Md.-based Rouse. The retail center

Portland Metropolitan Statistical Area

1989 retail sales:

\$11,339,696,000

1989 population: 1,180,268

1994 population: 1,213,892

1989 median household income: \$28,513

1994 median household income: \$34,384

Source: Donnelley Marketing Information Services

opened in March with 155,000 sq. ft. It provides upscale retail to the downtown region, Done says. A 60,000-sq.-ft. Saks Fifth Avenue will open in September.

"Demographics have changed in the city, particularly out in the western part, which has become a higher income area," Done says.

Indianapolis-based Melvin Simon & Associates is in the midst of a massive renovation of Lloyd Center in Portland. The 1.5 million-sq.-ft. center will have a grand reopening in spring 1991.

But most retail growth is in the suburbs, where large projects are being built. Gresham, once just bedroom community, is becoming a metropolitan area on its own.

Winmar is planning Gresham Town Center, with 850,000-sq.-ft. on two levels built around an exist-

ing light rail station. Plans call for five anchors attached to the center, with another freestanding. Ground will be broken next year for a 1993 opening.

The 122,000-sq.-ft. Halsey Crossing will open in Gresham in June, anchored by Safeway. Salt Lake City-based Price Development is the developer.

In Hillsboro, another Portland suburb, plans are well under way for Tanasbourne Center, a 75-acre mixed-use complex by Pan Pacific Development.

Tanasbourne Village, a 212,000-sq.-ft. strip anchored by Safeway, Payless Shoes and Fashion Bug, will be the first component of the project, opening in August 1990. Construction will begin in 1992 on a 900,000-sq.-ft., four-anchor mall.

Less development is planned for Eugene, the state's capital city to the south. Des Moines-based General Growth recently opened Gateway Mall in the suburb of Springfield. The 730,000-sq.-ft. center is anchored by Sears, Target and Emporium.

Price Development plans Springfield Crossing, with 95,000-sq.-ft. scheduled to open in November. Anchors Shopko and Safeway have recently opened at Price's 179,000-sq.-ft. Bailey Hill Village, also in Eugene.

SHOPPING CENTER AGE

PACIFIC NORTHWEST

cities will form a crescent.

Winmar and Pan Pacific have opened the 440,000-sq.-ft. Cascade Mall in Burlington, Wash., about equally distant from both cities.

Des Moines-based General Growth has opened Bellis Fair, even closer to the border in Bellingham, Wash. Pan Pacific has opened Sunset Square, a 404,000-sq.-ft. power strip, in Bellingham.

Despite the difficulties, developers still are interested in building. What they are learning is that they must work with communities to make their construction possible.

"The good news is that people are aware [of benefits of building]. We're going to talk about improving infrastructure and housing. It's important to have equilibrium," Korssjoen says. ■

will become the focal point for the town," Kyte says.

The two-level mall will be anchored by a 180,000-sq.-ft. Bon Marche, 150,000-sq.-ft. Frederick & Nelson, 82,000-sq.-ft. Mervyn's and a 125,000-sq.-ft. fourth anchor to be announced.

Plans include a 14-stall food court, gourmet market and 2,000-seat cinema. Two full-service restaurants also will be part of the town square.

The small store space will be in the moderate to better category, with rents expected to be in the mid-\$30s per square foot, Kyte says. The figure is equal to that charged in other regional malls in the area, he says.

About 55,000 sq. ft. of convenience retail will be spread through the office and hotel portions of the project. No tenants yet are signed for the office buildings, Kyte says, noting that that component is still very much in the planning stages.

About 4,900 cars can be accommodated in both deck and surface parking. Only 20% of the parking spaces will be outdoors, per the city of Redmond's requirement.

Kyte says that the city had more than 30 extra conditions before issuing the permits to build. In addition to the town square, the city required that 60 acres of the site be preserved as

green space.

Redmond's development began as an offshoot of the tremendous growth of the Seattle market over the last decade. However, it quickly is becoming a metropolitan area itself.

The Redmond area is rapidly becoming a high-tech center. Firms such as Microsoft, Willows, Rocket Research, Data I/O and Physio-Control are headquartered near the project.

While the population of Redmond proper is still rather small (30,000 people), the complex's trade area will contain more than 285,000 by 1995. The average household income was \$56,108 in 1988.

"The east side of the lake area in Seattle became a bedroom community. Bellevue has grown up, and is a city in itself. Redmond is now starting to grow in its own right," Kyte says. ■

WORTH ITS WAIT

REDMOND TOWN CENTER UNDER WAY—AT LAST



It took 12 years to get the approvals to build Redmond Town Center.

It took 12 years and the shifting of property from one city to another to get one mixed-use project under way. But the scope of the project should make it well worth the wait.

With the annexation of Seattle-based Winmar's 120-acre site to the city of Redmond, Wash., the plans for Redmond Town Center are finally moving into high gear. Ground will be broken in July for a summer 1992 opening.

While many developers bemoan the lack of available sites in the region, getting the land was the easiest part of building Redmond Town Center.

The site was part of King County, and was shifted to the city of Redmond to permit the building of Redmond Town Center.

"The site really consists of two parcels—an old golf course and an adja-

cent site. Putting the two sites together took no time at all. It took 12 years to get the approvals to build," says J. Randy Kyte, assistant vp at Winmar, and the director of the project.

Kyte is quick to point out that a 12-year lead time no longer is unusual in the region.

The project is located immediately north of I-520, at the intersection of S.R. 202. Redmond Town Center will have five major access points: N.E. 170th, N.E. 166th, N.E. 164th and N.E. 159th Avenues, and a new Sammamish River Bridge.

Project components: The \$200 million complex will contain a 1 million-sq.-ft. regional mall, 180-room hotel, 2,000-seat movie theater, 60,000-sq.-ft. of office space and an 85,000-sq.-ft. town square.

"It actually is an open plaza that

LATE EASTER SPURS APRIL GAINS

APPAREL SALES BENEFIT FROM UNSEASONABLY MILD WEATHER

A later-than-normal Easter selling season—which meant milder-than-usual weather—helped lure consumers back into the stores in April, giving the nation's largest retailers a much-needed sales boost, particularly in apparel.

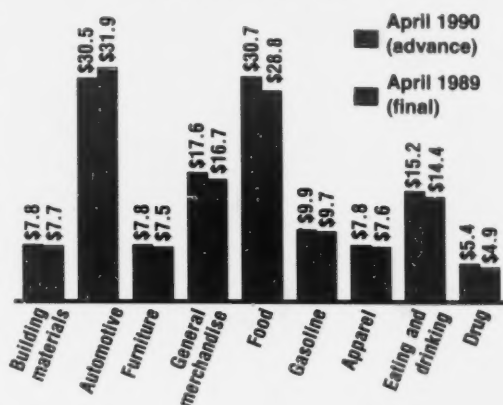
The Gap maintained its strong pace, with a 31.4% increase and a 25% same-store gain. The gain comes on the heels of a 25% same-store hike last year. At The Limited, sales climbed 18.1%, to \$362.5 million. Same-store sales rose 16%.

Carter Hawley Hale, still suffering from weak sales in the Bay Area because of last October's earthquake, posted only a 2.1% gain.

Growth at Sears remained slow, with revenues rising 1.6% overall, and 2.1% for comparable stores. J. C. Penney's sales dipped 1.6%, largely because a credit sales promotion held last year was not repeated this year.

Jamesway, benefiting from the Ames Department Store bankruptcy, posted a 24.8% sales gain. Ames did not report its results. The surging sales growth at Wal-Mart calmed a bit in April, jumping 20.2%. Wal-Mart's sales for the year to date are up 25.9%.

APRIL SALES
(Seasonally adjusted, figures in billions)



Source: U.S. Department of Commerce

CHAIN PERFORMANCE

Company	April '90 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	\$2,520,665	+ 1.6	+ 3.1	\$7,630,821	+ 1.0	+ 2.1
K mart	2,415,124	+15.9	+ 6.3	7,044,152	+12.6	+ 3.0
Wal-Mart	2,383,000	+20.2	+ 7.0	6,762,000	+25.9	+11.0
Penney	1,040,000	- 1.6	- 2.8	3,271,000	+ 5.4	+ 4.3
Dayton Hudson	947,000	+11.8	+ 5.5	2,950,000	+13.5	+ 6.8
May	752,900	+14.2	+ 8.8	2,190,000	+10.6	+ 6.1
Melville ¹	618,676	+21.9	N/R	2,235,618	+10.8	N/R
Walgreen ¹	499,953	+17.2	+13.4	1,969,574	+12.9	+ 9.1
Woolworth	421,000	+21.0	+18.2	1,228,000	+ 9.7	+ 7.0
The Limited	362,500	+18.1	+16.0	1,107,000	+14.8	+11.0
Carter Hawley Hale	191,200	+ 2.1	+ 1.6	590,900	+ 0.8	+ 0.3
Mercantile	168,169	+ 9.0	+ 8.7	497,862	+ 3.0	+ 2.6
Circuit City ²	154,800	+17.0	- 1.0	N/R	N/R	N/R
Hills	140,489	- 3.5	+ 0.3	452,486	+13.8	+ 8.6
The Gap	138,000	+31.4	+25.0	402,000	+26.0	+18.0
Rose's	124,170	+ 5.0	+ 4.2	353,123	+ 4.9	+ 4.9
Neiman-Marcus Group ³	119,900	+15.1	+12.0	N/R	N/R	N/R
Edison Bros. ¹	87,000	+21.8	N/R	248,000	+13.3	N/R
Jamesway	71,366	+24.8	+20.0	187,119	+15.4	N/R
Ross	58,000	+ 3.6	- 5.0	171,000	+ 6.2	- 5.0
Dollar General	50,700	+11.6	+ 6.4	132,400	+ 2.8	- 1.9
Best Buy ²	36,000	+20.0	+ 5.0	87,000	+19.0	N/R
Gottschalks	17,500	+19.9	+11.1	52,500	+21.0	+12.0
Claire's	18,645	+62.0	+24.0	53,520	+56.0	+17.0

¹fiscal year ends Dec. 31
N/R = not reported

²fiscal year ends Feb. 28
N/C = no change

³fiscal year ends July 31

Source: Company reports

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